



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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February 2, 1994

CERTIFIED RETURN RECEIPT
P 074 978 886

Robert E. Covington, Consultant
Ziegler Chemical & Mineral Corporation
P.O. Box 1845
Vernal, Utah 84078

Re: Conditional Approval of Mine Plan Amendment, Cowboy Federal #1 (aka Cowboy-Bandana Vein, Federal Gilsonite Lease No. U-0122693), Ziegler Chemical & Mineral Corporation (Ziegler), Ziegler Gilsonite Mines, M/047/013, Uintah County, Utah

Dear Mr. Covington:

The Division has reviewed the revised permit amendment submission received January 3, 1994, and the corrected pages received January 6, 1994. The additional information satisfies the Division's concerns listed in our December 27, 1993 review letter.

According to our review of the latest submission the maximum disturbance at any one time for this amendment will be approximately 3.3 acres. This acreage is based on Ziegler's proposal for concurrent reclamation during this project, and the Division's policy of a revegetation survival/success evaluation when the vegetation has survived three growing seasons. The proposal calls for a total of four shaft setups over the course of approximately 10 years. The Division estimates total reclamation costs for this amendment to be \$12,600 in terms of 1999 dollars. Division reclamation estimates are based on third party costs, and include mobilization costs, a 10% contingency, and five years of escalation.

The Division and the BLM currently have a Memorandum of Understanding (MOU) agreement for mine permitting activities conducted under the Federal 3809 regulations (locatable minerals). Because this project involves a federal mineral lease which is not covered under our MOU or the 3809 regulations, we requested information from the BLM State Office regarding the performance bond(s) in place for this project. We received such information in a letter received on January 25, 1994 (copy

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enclosed). This letter indicates Ziegler has a \$25,000 *statewide* bond which covers several federal leases, only one of which is currently active (Cowboy Federal #1). The bond is meant to cover liability for surface disturbance, reclamation, rental, and royalty obligations on the leases.

The \$25,000 statewide bond which has been filed with the BLM for the Cowboy lease and subsequent (presently undeveloped) leases cannot be accepted by this Division. The reasons for this are as follows:

1. Division policy prohibits the acceptance of statewide bonds as an acceptable form of reclamation surety for mining operations.
2. The existing BLM surety bond is not drafted as jointly payable to the State of Utah, Division of Oil, Gas and Mining, as a partner/successor to the bond (guaranteeing the calculated \$12,600 reclamation surety amount).

We have reevaluated the \$89,500 reclamation surety estimate presently calculated for Ziegler's current gilsonite mining operations. The surface disturbance for one shaft setup under this proposal is approximately 1.09 acres. The Division estimates a present cost of \$6,043 for reclamation of one complete shaft setup. The 10% contingency included in the \$89,500 surety posted amounts to \$7,637 in terms of 1992 dollars. This contingency amount would increase if we adjusted it to be in terms of current 1994 dollars. It is our opinion that sufficient bond exists to *temporarily* cover the small disturbance proposed for the first shaft setup under Ziegler's latest mine development plan.

The Division hereby grants approval for the first shaft setup of the Cowboy Federal #1 amendment as described by the information submitted to date, subject to the following conditions:

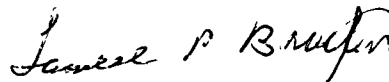
- (1) The Division must receive a new reclamation surety for \$12,600 surety, or a rider to the existing reclamation surety increasing the base amount from \$89,500 (1997 dollars) to \$105,300 (1999 dollars) within 60 days of your receipt of this letter, but no later than April 11, 1994.
- (2) Ziegler may not begin work beyond the first shaft setup area until the Division has received the adjusted surety amount and grants its approval to proceed.

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The increase in the combined surety amount is due to escalating both the existing surety and the amendment surety to 1999 dollars instead of just adding the two amounts together. See the enclosed surety estimate update for the escalation calculations. Some minor changes to the Reclamation Contract Agreement (FORM MR-RC) may also be required depending on the surety route pursued by Ziegler. Failure to meet condition one within the allotted timeframe will result in appropriate enforcement action by the Division or Board.

Ziegler may begin work on this project as soon as practicable. It is our understanding that the BLM has granted its approval of this proposed project. This amendment will now become a part of the Large Mining Operations Notice of Intention file number M/047/013. If you have any questions regarding this letter please contact me, Wayne Hedberg, or Tony Gallegos of the Minerals staff. Thank you for your cooperation in completing this permitting action.

Sincerely,



Lowell P. Braxton
Associate Director

jb
Enclosure
cc: Norm Haslem, Ziegler
Douglas Koza, BLM, Utah State Office
Minerals staff (route)
M47-13OK.let



11/047/013
United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Utah State Office
324 South State, Suite 301
Salt Lake City, Utah 84111-2303

TAKE
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IN REPLY REFER TO

3500
(UT-921)

DOGM
MINERALS PROGRAM
FILE COPY

January 25, 1994

RECEIVED

JAN 27 1994

DIVISION OF
OIL, GAS & MINING

Mr. D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program
Utah Department of Oil, Gas, and Mining
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

Dear Mr. Hedberg:

A mine plan for Ziegler Chemical and Mineral Corporation's Federal gilsonite lease U-0122693 on the Cowboy-Bandana vein is being approved in this office. Ziegler has a \$25,000 Statewide bond which covers several of its Federal leases, including U-0122693. This type of bond is provided to cover all liabilities the lessee may have and includes liability for surface disturbance, reclamation, rental, and royalty obligations on the leases. The \$25,000 Statewide bond is considered adequate to cover the mine plan operations presently being approved.

You can be assured that the bond will not be released or reduced without UDOGM being given the opportunity to concur. As usual, we have been in coordination with your office while processing Ziegler's mine plan, and each of our offices have required additional information from Ziegler to enhance the plan. A copy of our approval letter to Ziegler will be sent to your office under separate cover.

When abandonment and reclamation operations are pending, we will invite representatives from your office to provide input and assistance in order to assure completion of those interests you have in the process.

If you have any questions or additional needs for processing this plan, please contact Allen Vance at 539-4040.

Sincerely,

Douglas M. Koza
Deputy State Director
Mineral Resources

SURETY ESTIMATE UPDATE

DRAFT

Ziegler Chemical & Mineral Corporation

last revision

01/31/94

Ziegler Gilsonite Mines

M/047/013

filename

M47-13CB.WQ1

including Cowboy Federal #1 Amendment

Prepared by Utah Division of Oil, Gas & Mining

DESCRIPTION:

- Reclamation surety estimate last updated in December 1992
- Present surety is for \$89,500 in 1997 dollars, including 10% contingency & 5 yrs escalation
- The 10% contingency from the present surety = \$7,637 in 1992-\$
- The base amount for the present surety is \$84,004 in 1992-\$ without escalation
- Total disturbed acreage prior to amendment = 25.49 acres
- Cowboy Amendment total disturbed acreage is 3.3 acres (with concurrent reclamation)
- One shaft setup from the amendment disturbs @ 1.09 acres
- Surety estimate for one shaft area including 10% contingency = \$6,043
- PRESENT SURETY CONTINGENCY EXCEEDS THE RECLAMATION COST FOR 1 SHAFT
- Escalation factors through 1992 are actual Means Historical Cost Indices
- Total disturbed area = 28.8 ACRES

CALCULATIONS		ESCAL	BOND	
	YR	FACTOR	AMOUNT	
$F = P(1 + i)^{**n}$				
F = Future Sum	1990	0.0077	\$0	
P = Present Sum	1991	0.0127	\$0	
i = Escalation Factor	1992	0.0221	\$84,004	1992 BASE AMOUNT
n = number of periods	1993	0.0142	\$85,197	
subtotal in 1994-\$	1994	0.0142	\$86,407	PRESENT DOLLARS
Add in total Cowboy Amendment surety			\$11,751	
new subtotal in 1994-\$			\$98,158	1994 BASE AMOUNT
Escalate new subtotal 5 years forward			\$98,158	
Three Yr Average = 1.42%	1995	0.0142	\$99,551	
Used to Project 5 Yrs	1996	0.0142	\$100,965	
Into the Future	1997	0.0142	\$102,399	
From the Year 1993	1998	0.0142	\$103,853	
	1999	0.0142	\$105,328	
Updated Surety Amount Rounded (1999-\$)			\$105,300	
Average cost per acre =	3.656	(\$/ACRE)		

Ziegler Chemical & Mineral Corporation

Cowboy Federal #1 Lease - PERMIT AMENDMENT 12/6/93

Ziegler Gilsonite Mines

M/047/013

last revision

01/10/94

Prepared by Utah State Division of Oil, Gas & Mining

filename M47-13AM.WQ1

-This estimate is for the Cowboy Federal Lease Amendment area ONLY

-Reclamation surety for this amendment area is held by the BLM State Office

-This estimate is based on information provided by the operator

-The amendment is for four shaft sites over the course of 10 years of mining

-Reclamation of the old shaft site to begin immediately after moving to the new shaft site

-Amendment page 3B describes one shaft site as approximately 1.09 acres of disturbance

-ASSUMING 2.5 years mining per shaft site + 3 years reclamation, then the maximum amount of disturbance for the amendment = 3 shaft sites at the same time => 3.3 acres

-ASSUME maximum disturbance = 1 complete shaft setup + 2 shaft sites without structures

ONE SHAFT SETUP	# UNITS	UNIT	\$/UNIT	\$	
removing headframe - crane	10	hr	120	1,200	
moving headframe, hoist, etc.	20	hr	65	1,300	
general labor, 3-man crew, 3-10hr days	90	hr	10	900	(1)
subtotal for 1 shaft setup				3,400	
UNRECLAIMED SITE WITHOUT STRUCTURES(headframe, bldgs, etc.)					
general labor, 3-man crew, 3-10hr days	90	hr	10	900	(2)
shaft capping-concrete	3.2	cy	52	166	(3)
shaft capping-timber(4-6"x 6"x 6")	4	timber	33	132	(4)
shaft capping-rebar (16-5/8" x 5")	16	rebar	3.5	56	(5)
ripping roads & compacted areas (0.7	1	acre	319	319	(6)
regrading wasterock, shaft, escapeways	0.5	acre	401	201	(7)
spreading topsoil	0.5	acre	401	201	(8)
seeding disturbed area	1.09	acre	110	120	(9)
subtotal for 1 site without structures				2,094	
subtotal for 3 sites without shaft structures				6,283	
add in reclamation of 1 shaft setup				3,400	
subtotal				9,683	
add in mobilization	1	equip	1,000	1,000	
subtotal				10,683	
add in 10% contingency				1,068	
subtotal in current dollars				11,751	
add 1.42% escalation for 5 years to 1999-\$				858	
TOTAL				12,610	
ROUNDED TOTAL IN 1999-\$				\$12,600	

average cost per acre

\$3,818

NOTE: shaded items indicate DOGM assumptions

DOGM NOTES

- (1) DOGM adjusted #days
- (2) DOGM adjusted #days
- (3) MEANS-93 033-100-126-0100 (2500psi concrete)
- (4) MEANS-93 061-100-118-0250
- (5) MEANS-93 032-100-107-2420 (2ft bar, adjust for 5ft)
- (6) DOGM estimate of area
- (7) DOGM estimate of area, regrade 0.5 ft deep, 100 ft push
- (8) DOGM estimate of area, regrade 0.5 ft deep, 100 ft push
- (9) DOGM estimate

FROM PERMIT AMENDMENT

	L1	W1	A1
shaft area	100	200	20,000
hoist house	40	40	1,600
compressor house	40	40	1,600
generator house	40	40	1,600
S-H-C-G access road	250	14	3,500
ore loadout road-included in shaft area	?	?	0
wasterock pile-included in shaft area			0
topsoil stockpile-included in shaft area	?	?	0
two escapeways	8	8	64
escapeway roads	1000	14	14,000
main access road	350	14	4,900
wooden prop storage-included in shaft area			0
Total sq-ft			47,264
Total acres per shaft site			1.09
Maximum disturbance at one time (3 shaft sites)			3.26
TOTAL FOR 4 SHAFT SITES			4.34